IDEM
Trading Service Manual
(IDEM-Equity and IDEX segments)

October 2010
Version 1.0

INDEX

1. PURPOSE AND VALIDITY 4

2. CHANGE HISTORY 4

FIRST VERSION OF THE DOCUMENT 4

3. REFERENCES AND DEFINITIONS 5

4. GENERAL CHARACTERISTICS 9

4.1 THE IDEM TRADING SERVICE 9
4.2 DEFINITION OF SUB-MARKETS 13
4.3.2 Derivative contracts admitted to IDEX segment 14
4.3.3 IDEM-Equity contracts specifications 15
The trading hours are described in par. 5.3 15
4.3.3.1 The FTSE MIB index Futures contract 15
4.3.3.2 The FTSE MIB mini-futures contract 16
4.3.3.3 The FTSE MIB Dividend futures contract 17
4.3.3.4 The Stock futures contract 18
4.3.3.5 The FTSE MIB index options contract 19
4.3.3.6 The Stock options contract 21
4.3.4 IDEX contracts specifications 22
4.3.4.1 IDEX monthly futures contract 22
4.3.4.2 IDEX quarterly futures contract 23
4.3.4.3 IDEX yearly futures contract 24
4.4 STRIKE GENERATION RULES 25
4.4.1 Adjustment of stock futures and option contracts (only for IDEM-Equity) 26
4.4.2 Operational strategies negotiable on the IDEM-Equity 26
4.4.3 Operational strategies negotiable on the IDEX 27
4.4.4 Series identification rules 27
4.4.4.1.1 Segment IDEM Equity 28
4.4.4.2 Segment IDEX 30
4.5 CATEGORIES OF IDEM MARKET PARTICIPANTS (IDEM-EQUITY AND IDEX SEGMENTS) 31
4.5.1 Quotation obligations 32
4.5.1.2 IDEX 33

5 ORGANISATION OF TRADING 34

5.1 AVAILABILITY OF THE SERVICE 34
5.2 ACCESS PROCEDURE 34
5.2.1 Logout and loss of connectivity 35
5.3 TRADING TIMES AND PHASES 36
(*) STRATEGIES ARE NOT AVAILABLE ON THE IDEX SEGMENT5.4 TRADING FUNCTIONS 38
5.4 TRADING FUNCTIONS 39
5.4.1 Order management 39
5.4.2 Single and Standard combination orders 40
5.4.3 Tailor Made Combination (FLEXCO) Order 41
5.4.4 Iceberg orders 42
5.4.5 Stop orders 42
5.4.6 Cross and Committed orders 43
5.4.7 Quotations 45
5.4.7.1 Orders cancellation 46
5.4.7.2 Changes of orders 46
5.5 ACCOUNT TYPE MANAGEMENT 46
5.6 POSITION MANAGEMENT 47

5.7 TRADING PROTECTION FUNCTIONS 47
5.7.2 Automatic inactivation of orders *47*
5.7.2 Deny Order: Validation of orders and quotations *47*
5.7.3 Price deviation limits (IDEM-Equity and IDEX) *48*
5.4.7 Market Maker Protection *50*
5.8 MANAGEMENT OF TRADES 51

6 CLEARING 52

6.1 RECTIFY TRADE FUNCTION 52
6.1.1 Manual correction of trades executed *52*
6.2 CORRECTION OF POSITIONS 52
6.2.1 Correction of positions *52*
6.3 TRADE TRANSFER 53
6.3.1 Trade Transfer T+1 and T+2 ..... *53*
6.3.2 International give-up *53*
6.4 POSITION TRANSFER 53
6.5 REQUEST FOR CONTRACT SPLIT 53
6.6 OPTION EXERCISE 54
6.6.1 Early exercise *54*
6.6.2 Automatic exercise *54*
6.6.3 Exercise by exception *55*
6.6.4 Assignments *55*

7 INFORMATION 57

7.1 MARKET DATA FEED 57
7.1.1 Public Trading Market Data Feed *57*
7.1.1.1 Reference Data 57
7.1.1.2 Price Info 57
7.1.1.3 Price depth 58
7.1.1.4 Ticker 58
7.1.1.5 Changes of status 58
7.1.1.6 Request for quotes 58
7.1.1.7 Market Messages 59
7.1.2 Public information on clearing *59*
7.1.2.1 Instrument information 59
7.1.2.2 Official Closing Prices 59
7.1.2.3 Theoretical values 59
7.1.2.4 Class Files 60
7.2 PRIVATE INFORMATION 60
7.2.1 Private information on trading *60*
7.2.1.1 Information on orders 60
7.2.1.2 Information on trades – Combination notification 62
7.2.1.3 Market Messages 62
7.2.2 Private information on clearing *62*
7.2.2.1 Statement of own trades 62
7.2.2.2 Information for exercising Options 63
7.2.2.3 Clearing Reports 64
7.2.2.4 Order, execution and quotation reports 64
7.2.3 Information to the public 65

8 APPENDIX 66

8.1 THEORETICAL OPENING PRICE CALCULATION 66
8.2 SUPERVISION SPACE FOR MM AND RFQ MANAGEMENT EXAMPLE 68
8.3 ORDER MANAGEMENT: ORDER ENTRY PARAMETERS 71

1. Purpose and Validity

This document describes the functions available in the electronic trading system of the IDEM market, for trading and clearing activities relevant to the financial instruments traded on it.
Please note that parameters, instruments denomination and any examples in this document may be subject to changes by Borsa Italiana.

2. Change History

Change	Date	Version
First version of the document	October 8th, 2010	V 1.0

3. References and definitions

The references used in the following document are:

- Rules for the markets organised and managed by Borsa Italiana S.p.A;
- Instructions to the Rules for the markets organised and managed by Borsa Italiana S.p.A.;
- CC&G di Compensazione e Garanzia S.p.A. Rules;
- Instructions applied to CC&G di Compensazione e Garanzia S.p.A. Rules;

Definitions used:

- SOLA: it refers to the new IDEM trading system.
- IDEM - the Italian Derivatives Market.
- IDEM-Equity – it defines the IDEM segment where the derivatives instruments based on equities (stocks and indices) are traded.
- IDEX – it defines the IDEM segment where the derivatives instruments based on commodity and related indices are traded.
- FTSE MIB – the Borsa index relevant to future, mini future and index options contracts.
- FTMIB – it is the underlying code of future and option contracts based on the FTSE MIB index.
- FTSE MIB Dividend refers to the underlying of the futures contracts on FTSE MIB Dividend index.
- Type of Option - the type of standard Option contract: Call or Put.
- MINI – Futures contracts relevant to Borsa FTSE MIB index.
- Stock Future - Futures contracts relevant to a single stock admitted to official listing on the Borsa or the MTA.
- Stock Option - Option contracts relevant to a single stock admitted to official listing on the Borsa or the MTA.

- Expiration Date – it defines:

  - concerning the IDEM-Equity segment, the date corresponding to the third Friday of the month of the relative Borsa month according to the expiration sequence of index futures series contracts, stock Futures, index options and Stock options described below (see monthly, quarterly and six-month cycle);
  - concerning the IDEX segment, the last day of the delivery period;

- Electricity Future – it defines a future contract based on the supply of 1 power Megawatt (MW) along the delivery period.

- Delivery period – it defines, concerning the IDEX segment, the time interval in which the Future contract provides for the supply of 1 power Megawatt.

- Baseload contract: it defines a contract that it is intended for supplying electricity power continuously and steadily all the clock round (24x7) for the whole delivery period.

- Exercise on expiration - exercise of the right (Euro credited for index options contracts and buying and selling with Clearing House for Stock option contracts) by the Option contract buyer, on the expiration date.

- Early Exercise - exercise of the right (buying and selling with Clearing House) by the stock Option contract buyer, within the session prior to the expiration date.

- Premium - the cost of the Option and therefore the exchange price of an index options contract and stock Option on the IDEM.

- CC&G - CC&G di Compensazione e Garanzia S.p.A..

- TIMS Theoretical Intermarket Margin System - the system used by CC&G to calculate margins.

- Control Authority / C.O. - the authorities responsible for supervising trading on the markets.

- Authorised Operator / A.O. - an Operator admitted to trading as established by article 3.1.1 of the Rules.

- Trader - the party engaged in direct trading on the markets or controlling orders sent by clients through interconnection systems.

- Market Maker / M.M. - an A.O. obliged to display, within the limits established by Borsa, the bid and/or selling prices (on proper behalf) relevant to contracts traded on the IDEM.

- Liquidity Provider / L.P. – an A.O. a Market Maker with reduced obligation to quote.

- Specialist - an A.O. obliged to display, within the limits established by Borsa, the bid and/or selling prices (on client behalf) relevant to contracts traded on the IDEM.

- Member - a member of the CC&G, as a General Member or Individual Member, or admitted indirectly, as a Non Clearing member.

- General Member - a party who becomes a CC&G counterparty for Market operations on his own account and/or that of his clients and/or of Non Clearing members making use of them, as per article 1.1.1 of CC&G Rules.

- Individual Member - a party who becomes a CC&G counterparty for Market operations carried out on his own account and/or that of his clients, as per article 1.1.1 of CC&G Rules.

- Non Clearing member - a party who stipulates an agreement with a General Member for that party to undertake his own and/or his clients' contractual positions towards CC&G, as per article 1.1.1 of CC&G Rules.

- User or interconnected system - a system operating with applications receiving information flows from the IDEM or the clearing system and applications that send order flows and quotations to the market.

- Direct or interactive mode - the methods of access to system functions through the workstation.

- Indirect mode - the method of access to all functions of the electronic system through the interconnection of an application operating on a User System.

- User Code / Password - the ID code and password of a user enabled to operate on the IDEM. This code is used during login to the electronic system through the workstation or through a user system.

- SAIL/FIX - SOLA Application Programming Interface: software library used for connecting a user application to the electronic trading system.

- HSVF - SOLA Application Programming Interface: software library used for subscri9bing to the market data feed.

- BCS - the application on the workstation that gathers all the functions tied to the aspects of clearing derivatives.

- Trading offer or “Order” - the “Trading offer” or “offer” as defined in article 4.8.5 of the Rules.

- Quotation - a particular type of bid and/or asked trading offer entered by a Market Maker, in fulfilment of the commitments undertaken, through a special transaction sent by the User System.

- Book - the book present in the central system and containing all the orders relevant to a single series.

- Orderbook or "Local archive" - the list present in the workstation for storing own orders.

- Type of Instrument - the type of derivative contract according to:
  - Type of underlying object: Borsa index, stock or commodity;
  - Type of contract: Futures, American Call / Put, European Call / Put;

- Class of Instrument identifies all the contracts linked to the same underlying asset for each Type of Instrument.

- Instrument Series or Series identifies the individual contracts negotiable in each Borsa session for each Class of Instrument, distinguishing them by Expiration Date and, in the event of Options, of Strike Price.

- Combo type or Strategy - the standard type of combination. It is defined according to the market and the relationships existing between the individual Series of which it is formed.

- Combo type or FLEXO Strategy (Tailor Made Combination) indicates a combination created by the trader during the day and not created by the system.

- Combo Class indicates for each Combo Type all the standard combinations defined for the same underlying instrument.

- Combo Series identifies for each Combo Class the individual combinations negotiable in each Borsa session.

4. General characteristics

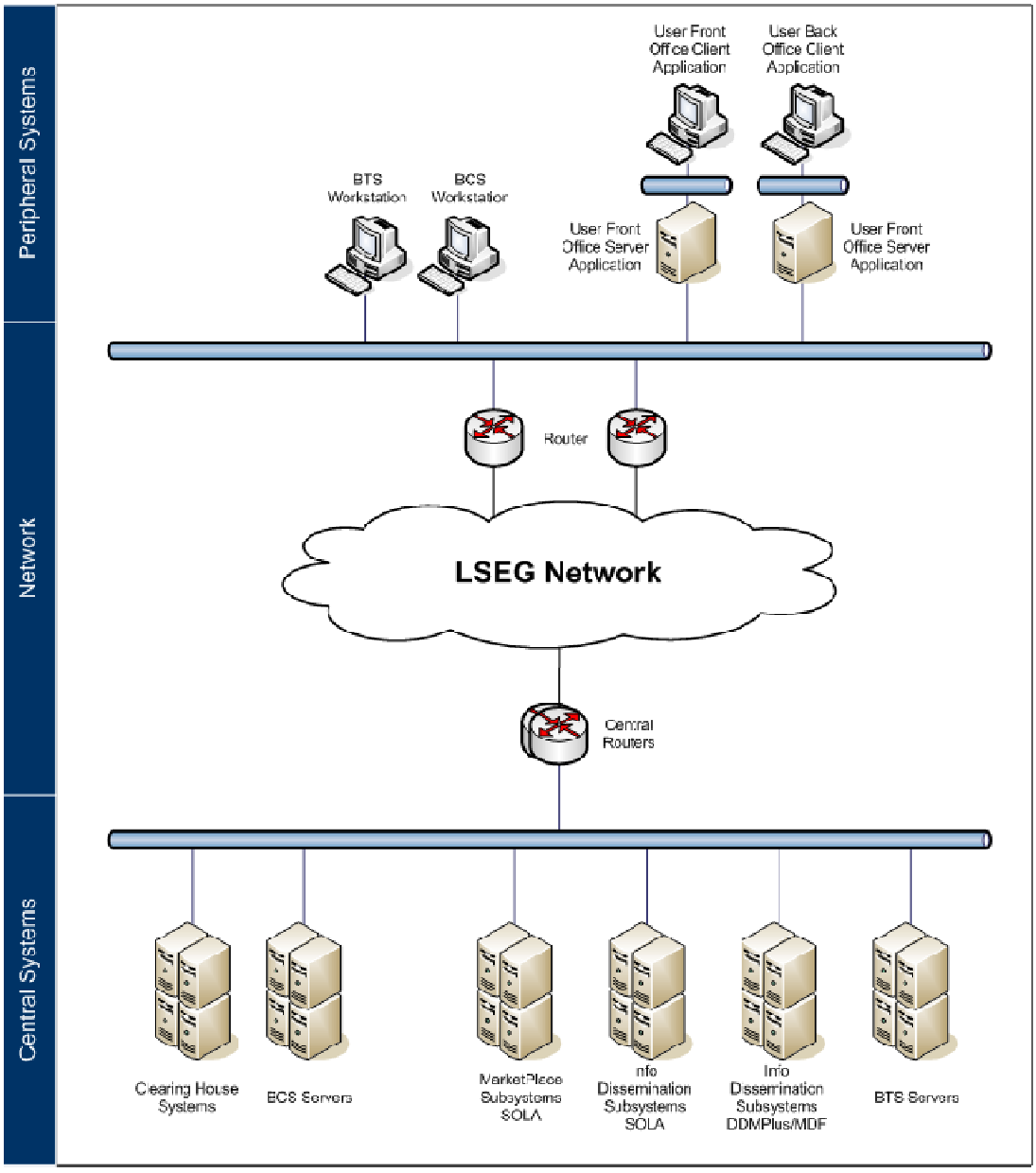
4.1 The IDEM Trading Service

The Trading Service for the IDEM market is based on a dedicated technological infrastructure and on specific applications, herein after referred to as the "IDEM Trading System".

The main applications are:

- SOLA Trading (Trading System)
- MDF/DDM+ (Information System)
- Clearing Gateway (Communication Systems of the contracts to CC&G)
- CC&G (Central Clearing System)
- BCS (Access to Central Clearing System)
- BIt-Operation (Market Surveillance System)
- BTS (Front-office System)
- Corporate Data Warehouse (Data Warehouse System)

The technical architecture of the IDEM Trading System is described in the picture below and is composed by the central system and the access system. The access systems are connected to the central systems via the LSEG network (Bit Network and Extranex).
The primary site is located in Milan whilst the secondary site is located in London and it is activated in case of failure of the primary site (disaster recovery). The hardware systems are HP systems, Sun Solaris and Windows.


Peripheral Systems
Network
Central Systems
User Front Office Client Application
User Back Office Client Application
BTS Workstation
BCS Workstation
User Front Office Server Application
User Front Office Server Application
Router
LSEG Network
Central Routers
Clearing House Systems
BCS Servers
MarketPlace Subsystems SOLA
nfo Dissemination Subsystems SOLA
Info Dissemination Subsystems DDMPlus/MDF
BTS Servers

Central systems

The central systems manage the trading phases, the management of trades and all the data feed related to the services.

The architecture of the central systems is organised in two levels: the back-end level and the front-end level.

The back-end level is responsible for processing the requests for the functionalities available to members transmitted by the peripheral systems and for executing internal trading functionalities of the system (automatic matching of orders, management of the market trading phases, etc.). Moreover, it distributes to all members real-time information generated by the back-end level (central orderbook, general notification messages, execution notification messages, etc.).

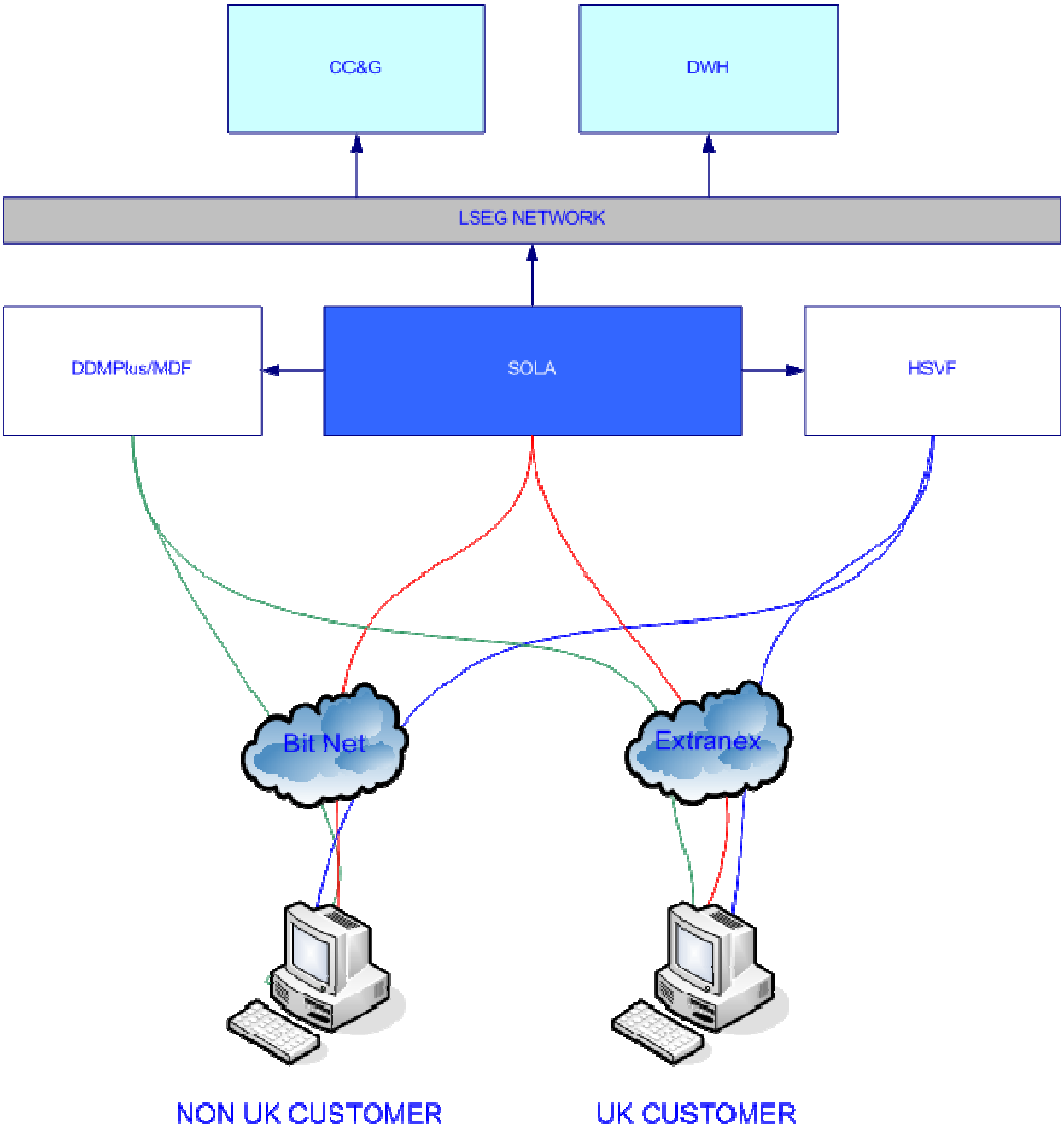
The front end level manages the interaction between the users systems (through SAIL or FIX protocols) and receives the market requests from the market participants (order entry, changes and cancellations, etc.) that sends and organises to the back end level. The system then distributes to all market participants the information from the back end level (real time data, general notifications and execution confirmations) through the HSVF protocol

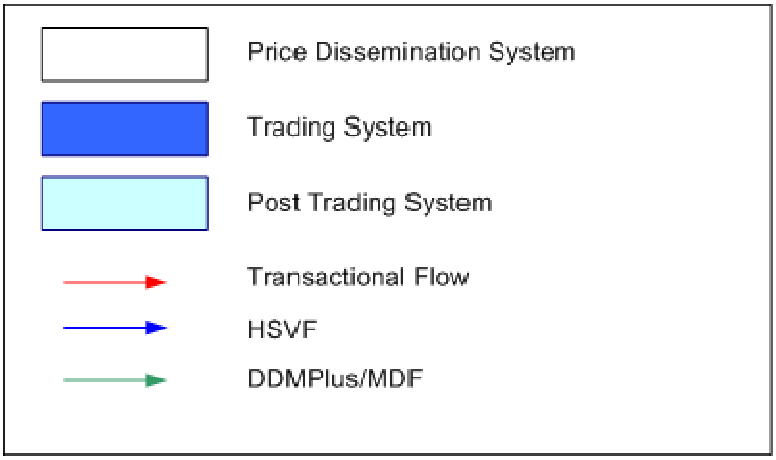
Access systems

The access system is composed of network lines and devices enabling the connectivity between the member's premises and the central systems.

According to the specific customer needs, Borsa Italiana (Bit Network) or LSE (Extranex) will provide the appropriate bandwidth configuration

The picture below represents the SOLA overall solution including the interconnected downstream systems that make the IDEM Trading System. In particular, the SOLA System provides, through an internal protocol, the information data to Borsa Italiana's systems, such as DDM-Plus, internal systems, the Data Warehouse, the Clearing Systems to which the system send the executed contracts. Through the HSVF protocol, the public information feed is sent to the market participants and ISVs connected to the IDEM system. The SOLA systems receives the underlying data from Infolect for the automated series generation and through an interface gateway.


CC&G
DWH
LSEG NETWORK
DDMPlus/MDF
SOLA
HSVF
Bit Net
Extranex
NON UK CUSTOMER
UK CUSTOMER


Price Dissemination System
Trading System
Post Trading System
Transactional Flow
HSVF
DDMPlus/MDF

4.2 Definition of sub-markets

The trading system platform allows derivatives traded on the two IDEM segments (IDEM-Equity and IDEX) to be organised in one or more sub-markets.

The IDEM trading platform is currently structured in the following sub-markets:

1) IDEM Equity segment:
   a) INDEX sub-market (IDEM-Indices), i.e. the whole of all contracts based on the FTSE MIB index: FTSE MIB Future, MINI and FTSE MIB options.
   b) STOCK sub-market (IDEM-Stock), i.e. the whole of all contracts based on the various stocks: Stock Options and Stock Futures.

2) Energy derivatives segment (IDEX):
   a) ENERGIA sub-market (IDEX), i.e. the whole of all contracts based on energy related commodities and indices.

4.3 Derivative contracts admitted to trading

Futures contracts and Options contracts having as underlying assets financial instruments or commodities and related indices can be traded on the Italian Derivatives Market.

A futures contract is a financial instrument with which the parties undertake to exchange, upon its expiration, a certain quantity of the underlying asset at a fixed price. Payment on expiration of the contract can likewise occur through the exchange of a sum of money established as the difference between the contract conclusion price and its settlement price.

An Option contract is a financial instrument with which, upon payment of a premium, one of the parties acquires the right to buy (call Option) or to sell (put Option), on or within the expiration date, a certain quantity of the underlying asset at a fixed price (strike price). Settlement of the contract can likewise occur through the exchange of a given sum of money: for call Options, as the difference between the settlement price of the underlying asset and the strike price, or, for put Options, as the difference between the settlement price of the underlying asset and the exercise price, on the day the right is exercised or upon expiration.

4.3.1 At present, the standard futures contracts traded on the IDEM-Equity are:

- FTSE MIB Futures
  Futures on the FTSE MIB index;

- FTSE MIB mini-futures
  Mini Futures on the FTSE MIB index;

- FTSE MIB Dividend futures
  Futures on the FTSE MIB Dividend index;

- Stock futures
- Futures on individual shares;

- FTSE MIB options
  Futures on FTSE MIB stock index;

- Stock options
- Options on individual shares;

4.3.2 Derivative contracts admitted to IDEX segment

The standard contracts traded on IDEX segment belong to the baseload category and belong to three classes, according to the delivery period:

- IDEX monthly future

- IDEX quarterly future

- IDEX yearly future

The actual characteristics of the contracts are given below. These characteristics can undergo changes to reflect any amendments to the Rules of the markets organised and managed by Borsa Italiana and the relevant Instructions.

4.3.3 IDEM-Equity contracts specifications

The trading hours are described in par. 5.3

4.3.3.1 The FTSE MIB index Futures contract

Underlying asset	FTSE MIB index (FTMIB)
Quotation	Index points
Minimum Tick	5 index points
Value of an index point	€ 5.00
Contract size	Result of the product of the Future price and the value of its multiplier
Negotiable expirations	The four quarterlies, March, June, September and December, are quoted at the same time in each session.
Expiration day	The third Friday of the expiration month at 09:05[1]
Last day of trading	Expiration day, 9:00 ÷ 9:05
Settlement	Cash settlement.
Settlement day	First open day following the expiry day, according to the CCG book of rules.
Settlement price	FTSE MIB value calculated on the opening prices on the expiration day.
Negotiable strategies	Time spread.

[1] If it is a Borsa closed day, the contract expires on the first Borsa open day prior to that day.

4.3.3.2 The FTSE MIB mini-futures contract

Underlying asset	FTSE MIB[2] index (FTMIB)
Quotation	Index points.
Minimum tick	5 index points.
Value of one index point	€ 1.00
Contract size	Result of the product of the Futures price and the value of one index point.
Negotiable expirations	The two closest quarterlies are quoted at the same time in each session.
Expiration day	The third Friday of the expiration month at 09:05
Last day of trading	Expiration day, 9:00 ÷ 9:05
Settlement	Cash settlement.
Settlement day	First open day following the expiry day, according to the CCG book of rules.
Settlement price	FTSE MIB value calculated on the opening prices on the expiration day.
Negotiable strategies	Time spread.

[2] The underlying index of the MINI contract was differentiated from that of the Future on FTSE MIB purely for technical reasons and identified with a specific name: MINI.

4.3.3.3 The FTSE MIB Dividend futures contract

Underlying asset	FTSE MIB Dividend Index
Quotation	Index points.
Minimum tick	1 point
Value of one index point	€ 5.00
Contract size	Result of the product of the Future price and the value of its multiplier
Negotiable expirations	Contracts can be traded with maturities in the months of December of the five subsequent years.
Expiration day	The third Friday of the expiration month at 09:05
Last day of trading	Expiration day, 9:00 ÷ 9:05
Settlement	Cash settlement.
Settlement day	First open day following the expiry day, according to the CCG book of rules.
Settlement price	Equal to the value of the FTSE MIB Dividend Index on the day of the maturity of the related contract.
Negotiable strategies	Time spread.

4.3.3.4 The Stock futures contract

Underlying asset	Stocks listed on the Borsa Official Market or the MTA.
Quotation	Euro
Minimum tick	Differentiated by price ranges of the underlying stock
Contract size	The minimum trading unit is the same as that for stock Option contracts
Negotiable expirations	Monthly and quarterly: March, June, September, December. The four nearest quarterly expirations and the two nearest monthly expirations for a total of six expirations
Expiration day	The third Friday of the month of expiration
Last day of trading	Expiration day
Settlement	Physical delivery
Settlement day	The third CCG open day following the expiration day, according to the CCG book of rules
Settlement price	Value of the stock calculated on the opening prices on the expiration day
Negotiable strategies	Time spread and FLEXCO

4.3.3.5 The FTSE MIB index options contract

Underlying asset	FTSE MIB index (FTMIB)
Style	European
Negotiable Options	Call and Put
Quotation	Index points
Minimum tick	Differentiated by Option price range
Value of one index point	€ 2.50
Contract size	Result of the multiplication of the strike price and the value of one index point
Contract premium	Equal to the value of the Option multiplied by the value of one index point.
Negotiable strike prices	At least 15 price levels with intervals of 250 index points[3] for the first series and 500 index points for the following series; at least 21 price levels with interval of 1000 index points for the series with remaining life longer than one year.
Negotiable expirations	The four quarterly expirations (March, June, September, December), the two nearest monthly expirations and the four six-month maturities (June and December) of the two years subsequent the current year, for a total of ten expirations.
Expiration day	The third Friday of the month of expiration.
Last day of trading	Expiration day (until 9:05)
Exercise on expiration	"In the money" options: automatic. "At the money" and "out of the money" options: exceptionally, according to the CCG rules.
Settlement	Cash settlement.
Premium settlement day	The first CCG open day following the trading day, according to the CCG book of rules.
Option settlement day	The first CCG open day following the expiration day, according to the CCG book of rules.
Settlement price	FTSE MIB value calculated on the opening prices on the expiration day.

[3] The new interval of 250 index point will be effective as from November, 22nd 2010.

Negotiable strategies	FLEXCO.

4.3.3.6 The Stock options contract

Underlying stocks	Stocks listed on the Borsa Official Market or the MTA.
Style	American.
Negotiable Options	Call and Put.
Quotation	Euro
Minimum tick	€ 0.0005
Contract size	Diversified by Class of Instrument. Fixed with a special Borsa Notice.
Negotiable strike prices	Series with remaining life shorter than one year: at least 15 price levels with interval as detailed in the Instructions to the Rules of the Market; Series with remaining life longer than one year: at least 21 price levels with interval doubled with respect to the short series.
Negotiable expirations	Monthly and quarterlies. In each sessions the four quarterlies and the two nearest months are quoted at the same time for a total of 6 expiries. For specific options classes, communicated through Borsa Notice, besides the above mentioned expirations, further four six-month maturities (June and December) of the two years subsequent the current year, for a total of ten expirations, are quoted.
Expiration day	The third Friday of the month of expiration.
Last day of trading	The day before the expiration day.
Exercise on expiration	"In the money" options: automatic “At the money” and "out of the money" options: exceptionally by 8:15 on the day of expiration.
Settlement	Physical delivery.
Premium settlement day	The first CCG open day following the trading day, according to the CCG book of rules.
Option settlement day	The third CCG open day following the exercise day, according to the CCG book of rules.
Settlement price	Effective sale of the underlying stock recorded on the last day of trading.
Negotiable strategies	FLEXCO.

4.3.4 IDEX contracts specifications

4.3.4.1 IDEX monthly futures contract

Underlying Commodity	Power
Quotation	Euro/Mwh
Minimum Tick	0,01 €/MWh
Contract Size	Result of the multiplication of the future price by the number of hours in the delivery period.
Tradeable expirations	In the same trading session the first three month expirations are negotiable.
Expiration day	Last day of the delivery month.
Last Trading day	Last trading day before the start of the delivery period.
Settlement	Cash settlement. Physical delivery option. Third trading day prior to the start of the delivery period. GME market participants may send to CCG their request for physical delivery instead of the cash settlement. The request is subject to GME's approval.
Settlement day	- *First clearing day* after the last day of the delivery period, in case the last day of the delivery period is a trading day; - *Second clearing day* after the last day of the delivery period, in case the last day of the delivery period is a non trading day; In both cases, the settlement is always performed the day after the settlement price communication.
Settlement Price	The settlement price of the contract shall be equal to the arithmetic average of the hourly PUNs of the delivery month, rounded to two decimal digits. The price will be rounded upward in case the third decimal digit is equal to 5.
Negotiable strategies	Not available.

4.3.4.2 IDEX quarterly futures contract

Underlying Commodity	Power
Quotation	Euro/Mwh
Minimum Tick	0,01 €/MWh
Contract Size	Result of the multiplication of the future price by the number of hours in the delivery period.
Tradable expirations	In the same trading session the first four quarterly expirations are negotiable.
Expiration day	Last day of the delivery quarter.
Last Trading day	Forth trading day before the start of the delivery period.
Settlement	"Cascading" method is applied only to the monthly future that is cash settled.
Cascading	End of last trading day.
Negotiable strategies	Not available.

4.3.4.3 IDEX yearly futures contract

Underlying Commodity	Power
Quotation	Euro/Mwh
Minimum Tick	0,01 €/MWh
Contract Size	Result of the multiplication of the future price by the number of hours in the delivery period.
Tradeable expirations	In the same trading session only the first yearly expiration is negotiable.
Expiration day	Last day of the delivery year.
Last Trading day	Forth trading day before the start of the delivery period.
Settlement	"Cascading" method is applied only to the monthly future that is cash settled.
Cascading	End of last trading day.
Negotiable strategies	Not available.

4.4 Strike generation rules

The system automatically manages the updating of the series of Option contracts negotiable on the IDEM, according to the Rules.

In accordance with the Rules, the following is required:

- At the close of the session on the Expiration Date, the series of the new expiration to be quoted starting from the first subsequent Borsa open day are generated;

- Every day the new strike prices are generated (i.e. the new single series) according to the fluctuation of the Underlying Price, the index last price (for FTSE MIB index Options) or the stock Reference Price (for stock Options), whenever:

  - For call options, it is higher than or equal to (lower or equal) the average value of the at the money price and the first out of (in) the money price;
  - For put options, it is higher than or equal to (lower or equal) the average value of the at the money price and the first in (out of) the money price;

All the strike prices generated remain visible (and negotiable) in the trading system until the Expiration Date even if no orders are entered on the days following their generation.
In particular, the negotiable series are:

- The central Strike Price level, defined at the money, or the strike price nearest the value of the underlying stock;

- *m* Strike Price levels higher than at the money;

- *m* Strike Price levels lower than at the money;

Currently for FTSE MIB index option contracts, for each expiry up to one year (monthly and quarterly) there are at least 15 price levels on both call and put series, with intervals **of 250 index points for the first expiry** and 500 index points **for all the following series**[4]; for expiries over 12 months at least 21 price levels may be traded..

For stock Option contracts for each series up to one year (monthly and quarterlies) there are at least 15 price levels available on the calls and the put, and at least 21 price levels for the series with remaining life longer than one year.

[4] The new interval of 250 index point will be effective as from November, 22nd 2010..

When the Reference Price approaches the limit of a strike interval, the system generates new strike prices using the new step, in order to keep the ratio between the incremental step and the strike value constant.

4.4.1 Adjustment of stock futures and option contracts (only for IDEM-Equity)

In case of adjustment of options and futures contracts due to extraordinary activity on the underlying (i.e. capital increase, grouping, splitting, payment of extraordinary dividends, etc.), the new adjusted series are generated by the clearing system that sends the data to the trading system; the new series are identified by:

- an X at the end of their name if it is the first adjustment; Y, Z, Q, R, S, G, U, V for the following adjustments;
- the valorisation of a suitable indicator in the static information flow exchanged with CC&G.

Before the adjustment, the system automatically cancels existing orders on the series that will be no longer negotiable on the days following the adjustment.

The corrected strike prices related to the expirations negotiable on the ex day will not respect the standard steps.

Both for the introduction of an expiration and the shifting of the Reference Price, the new automatically generated series will have all the characteristics defined for the standard futures contract to which they refer (steps, number of underlying shares, etc).

The system allows the co-existence of corrected series (until their expiration) and series generated according to the normal procedures, both for the same expiration and for different expirations.

4.4.2 Operational strategies negotiable on the IDEM-Equity

The following operational strategies are admitted to trading on the IDEM:

1. Relevant to FTSE MIB Futures, MINI Futures, MIB Dividend and stock futures contracts:

- Time Spread
  Combination of two orders of equal quantity at the same time, but of opposite sign and with different expirations.
  Simultaneous buy (sell) of the future on the furthest expiration and sell (buy) of the future on the nearest expiration;

2. Relevant to index options contracts, stock options and stock futures contracts:

- Flexible Combination (FLEXCO)
  Non standard combination of two orders created along with their own trading book by the trader.

4.4.3 Operational strategies negotiable on the IDEX

Standard strategies are not available on the IDEX segment.

4.4.4 Series identification rules

The following tables give examples of series traded on the IDEM and the structure of the alphanumeric code identifying them.

Instrument series structure definition:

[root][year][month][strike][corporate action flag]

Root symbol = 6 char
Year = last digit of the year
Month = expiry month (A to L for the call options and future, M to X for the put options)
Strike = strike price
Corporate Action Flag = X, Y, Z, Q, R, S, G, U, V

For IDEX quarterly futures, in the Month field, a number between 1 and 4 indicates the related quarter.

4.4.4.1.1 Segment IDEM Equity

- Series name: **MIBO0J23000** (index option)

Code	Description
MIBO	Index Option
0J	Call expiry : October 2010
23000	Strike Price: 23000 index points

- Series name: **MIBO0V23000** (index option)

Code	Description
MIBO	Index Option
0V	Put scadenza: October 2010
23000	Strike Price: 23000 index points

- Series name: **FIB0C** (index future)

Code	Description
FIB	Index Future
0C	Expiry: March 2010

- Series name: ENI0D100 (stock option)

#	Code	Description
1	ENI	Underlying: ENI
2	0D	Call expiry: April 2010
4	100	Strike Price: € 100

- Series name: ENI0P100 (stock option)

#	Code	Description
1	ENI	Underlying: ENI
2	0P	Put Expiry: April 2010
4	100	Strike Price: € 100

- Series name ENI0F (stock future)

#	Code	Description
1	ENI	Underlying: ENI
2	0F	Expiry: June 2010

- Series name FIBC0 (index future)

#	Code	Description
1	FIB	Index Future on FTSE MIB
2	0C	Expiry: March 2010

Series name: **ENI_FC_xxxx** (FLEXCO)

#	Code	Description
1	ENI	Underlying
2	FC	FLEXCO identification
3	xxxx	Unique number per instrument group assigned automatically by the system when the Flexco is created

4.4.4.2 Segment IDEX

- Series name: IDEBM0C (future on the monthly contract Baseload , expiry March 2010)

#	Codice	Descrizione
1	IDEBM	Underlying: Monthly Contract “Baseload”
2	0C	Expiry: March 2010

- Series name: IDEBY0L (future on the annual contract Baseload, expiry December 2010)

#	Code	Desciption
1	IDEBY	Undelying : Annual Contract “Baseload”
2	0L	Expiry: December 2010

- Series name: IDEBQ12 (future on the quarterly contract Baseload, exoiry March 2012)

#	Codice	Descrizione
1	IDEBQ	Sottostante: Contratto “Baseload” trimestrale
2	12	Scadenza: primo trimestre 2012

4.5 Categories of IDEM market participants (IDEM-Equity and IDEX segments)

In relation to the trading activity types, the following categories are identified:

- *broker*: entering orders exclusively for third parties;
- *broker/dealer* (or *dual-capacity*): entering orders on their own account and for third parties;
- *dealer*: entering orders exclusively on their own account.

Within the *dual-capacity* and *dealer* categories are the *Market Makers* who undertake the responsibility to quote according to specific obligations for each product and to each products' rules. *Market Makers* enter quote using the *Bulk_Quote* transaction. *Bulk Quote* messages may only be entered for series belonging to the same group[5] ; within a single *Bulk Quote* it is possible to send a maximum number of quotes equal to a defined quantity[6].

Two categories of Market Makers, two categories of specialists and two categories of Liquidity Provider are admitted on the IDEM:

- *Primary Market Makers*, subject to continuous quotation obligations on own behalf;
- *Market Makers*, subject to quote on request on own behalf;
- *Liquidity Provider*, subject to continuous quotation obligations on own behalf on a reduced number of underlying and maturities compared to the Primary Market Maker obligations;
- *Primary Specialist*, subject to continuous quotation obligations on client behalf (with the obligation of specifying the sub-account "SPEC");
- *Specialist*, subject to quote on request on client behalf (with the obligation of specifying the sub-account "SPEC");

[5] For each underlying there are three groups: the futures, the options (call and put) and the strategy group.
[6] The current maximum number of quotes with one Bulk Quotes is 100

- *Liquidity Provider Specialist*, subject to continuous quotation obligations on client behalf (with the obligation of specifying the sub-account "SPEC") on a reduced number of underlying and maturities compared to the Primary Specialist's obligations;

4.5.1 Quotation obligations

Quotation obligations are active during the trading day, except from the auction phases during which Market Makers are not obliged to quote.
Each Market Maker is required to fulfil its quotation obligations according to the Price Quotation Responsibility and the supervision range.

4.5.1.1 IDEM Equity

The supervision range is made of all the series for which the Market Maker has to quote. The At The Money series that is determined with reference to the last traded contract on the underlying financial instrument, defines the supervision range.

During the trading day the central system updates the supervision range taking into account the time variation between the last two prices received from the underlying market.

The supervision range is updated twice a day. The system does not send any confirmation message to inform of any change in the supervision range; it will be the market participants responsibility to update their quoting tools according to the new time interval. The time interval is defined by Borsa Italiana and described in the "Guide to the Parameters".

To define the supervision range, the price taken by the system is the price of the last contract of the underlying traded on the day before.

The underlying on which the derivatives are based determines for each type of market maker:

- the minimum number of lots to quote, depending on whether the underlying belongs to the Focus Group or not;

- the maximum allowed bid-ask spread to fulfil, depending on the specific spread table associated to the underlying;

The Focus Group composition and the underlying-spread table association are communicated through Borsa notice.

Primary Market Makers, Primary Specialist and Liquidity Providers are required to restore their quotation within 2 minutes since the quotation is filled; Market Makers and Specialists are required to meet requests for quotations within 2 minutes from the request submission; the quotation must remain in the book for at least 15 seconds (30 seconds in case of index options) to be valid. In the case the quotation is filled before that time the quotation obligation is considered fulfilled the same.
Further details concerning the different market maker categories obligations are specified in the Borsa Italiana "Instructions".
Some examples are described in the Appendix.

4.5.1.2 IDEX

For all Market Makers categories, the obligations in terms of quantity and spread are set in the Instructions.

5 Organisation of trading

5.1 Availability of the service

The service is available starting from 8.00. The user can login to the market with the clearing and trading applications and request the following static information flows:

- negotiable series
- standard negotiable combinations
- list of company traders
- information on clearing for the previous days
- reports on orders and trades for the previous days

Availability of the service is guaranteed until receipt of the Clearing Prices sent by the CC&G clearing system. The system then executes the closing and re-phasing procedures.

5.2 Access procedure

The procedures for accessing the electronic system are:

- Direct or Interactive method: access by means of the workstation occurs using the standard applications supplied with the trading system: the BTS Client (supplied to members for trading activity) and the BCS Client for Authorised Operators; specific applications for Market Supervision, Help Desk and System Monitoring functions. Connection in direct mode is active in all dynamic phases of the market.

- Indirect or Interconnection mode: access occurs through SAIL and FIX protocols for sending the transactions to the market and through HVSF to receive the external market data information feed; access to the clearing system is through BCS/API. This allows all functions available for the Authorised Operator user category to be carried out. The transactions necessary for trading activities (e.g. sending orders and quotations) are available, as well as specific information flows (trades executed, clearing reports, assignments, etc.), real-time information flows generated by the IDEM market (best prices book, price levels, etc.) and from the underlying official market.

For both connection methods a limit on the maximum number of transactions per second is defined for the Authorised Operator user category.
The maximum number of transactions per second (i.e. “tps”) allowed for each type of connection is established by Borsa Italiana and described as follows:

A) Basic package:

- FO standard user; (named connection type **OR** – Order Routing, or **FX** in case of connection via FIX)

- Info user;

According to their preferences, clients will be able to choose from the HSVF channel, which is the SOLA native info system, or the MDF service.

In addition, within the standard package, market makers and specialists will be supplied with:

- A number of Bulk Quotes (named **BQ**) based on the number of underlying per each group type (futures, options), according to the obligations subscribed by the market participant[7] with the option to spread the Bulk Quotes over one or more standard quotation users;
- A number of Panic Quotes (named **PQ**) that allow for the cancellation of all quotations entered by the Market Maker/Specialist on all contracts for which the market participant has quotation obligations, within the same second (number PQ/sec=number of derivatives contracts).

B) Drop Copy connection

In addition, it is possible to request the Drop Copy connection (named DC) that allows the user to receive all orders in the system from all traders of the company.

5.2.1 Logout and loss of connectivity

One of the characteristics of both market access options is the possibility to specify in the login message the "disconnection instructions", which the system activates in case of disconnection, and allows for the automated cancellation of all quotations on the book. The automated cancellation is available only for Session Orders for which the "While Connected" parameter is specified. The automated cancellation is not active for the "Good Till Date" and "Good Till Cancel".

In the event of loss of connection to the market the user is declared 'lost' by the system and thus access to the market is disabled.

[7] The number of BQ equals to 75% of the number of underlying per group type according to the market participant's quoting obligations (rounded up).

When the connection is restored, to access the market the user must carry out the login procedure again and, if necessary, re-enter the orders or cancel those still in the book. In the login procedure through a special function indicating the number of messages, the system allows the user to retrieve the orders and their status.

5.3 Trading times and phases

On FTSE MIB index future contracts and FTSE MIB MiniFutures contracts, beside the existing continuous trading phase, the opening auction phase is now also available.

The opening auction phase includes the pre-opening phase and the contract execution phase.

- **Pre-opening phase**: during this phase the following functions are allowed:

  - Insert, modify and cancel the orders in the book
  - Provide the market data feed to the public, to the Authorised Operators, to the Supervision Authority and to CC&G;

During this phase the theoretical opening price is determined and updated in real-time, according to the selective criteria defined in the Rules.

- **Opening phase**: during which contracts are concluded and the opening prices are disseminated.

  Whenever the opening price cannot be determined the continuous trading phase begins and the limit orders are transferred to this phase.

  In any case, at the end of he pre-opening auction or the volatility auction, the limit orders that are not executed are automatically transferred into the continuous trading phase, with the same time/price priority. As for market orders, if these are Fill and Kill orders, they will be cancelled; otherwise if there are any quantity left, these will be transferred into the continuous phase at the auction opening price (see par. 5.4.2 for details of all order types).

- **Continuous trading phase**: during which the automatic matching of the orders takes place. The functions available during this phase are:

  - enter, modify and cancel the orders on the book
  - request for quotes; this function allows to request the Market Makers to quote a specific series and quantity;

- insert quotes by Market Makers;
- automatic matching of contracts on the orderbook, according to the existing rules;
- provision of the market data information feed to the Authorised Operators, the Supervisory Authority and CC&G;
- information of the executed contracts are sent by the trading system to the CC&G clearing system.
- Request for early exercise/by exception are sent to the CC&G clearing system through the BCS
- Information on intraday clearing are available through the BCS (i.e. real time positions and contracts, intraday margin calls);

Beside the trading phases there are some technical phases during which specific functions are carried in order to support the market:

- Consultation start: this phase is reserved for the Exchange Market Operation to arrange the trading day (any actions on instruments, phases, orders, etc). During this phase order entries is not allowed.
- Intervention before opening: it is a technical phase prior to the opening of the market; it allows market participants to cancel any long orders inserted in the previous days, and receive the updated book through the information feed service;
- Exchange intervention: this is a period during which the Exchange Market Operation can perform all the modifications necessary to regulate the market and correct errors (deletion of orders for a specific instrument, cancellation of trades, etc.). During this period, orders cannot be entered; participants may receive messages or status changes related to financial instruments.
- Consultation End: this phase is reserved to the Exchange Market Operation. During this orders and messages cannot be sent.
- Mini Batch: this is a technical phase to arrange the next trading day. Orders whose validity date has expired are deleted and the cancellation is notified to the users that if they are not connected they will receive the nofication as soon as the next connection is established. Statistics (high, low, volume) are updated. Orders cannot be entered. During the Mini Batch the long orders active for the next trading session are maintained on the book.

Post-session: it is a technical session during which the maintenance procedures take place.

The following table represents the trading parameters allowed on the IDEM-Equity and IDEX segments:

		8.00	8.30	9.00	17.40	18.55	19.00
		Start of Consultation	Pre-opening	Continous Trading	Surveillance Intervention	End of Consultation	Mini Batch
Order Actions							
	Cancel	✓	✓	✓	✓		
	Entry		✓	✓			
	Strategies Creation			✓(*)			
Price Types	Limit		✓	✓			
	Market		✓	✓			
	MarketOnePrice (Top order)			✓			
Quantity Terms	Disclosed (Iceberg Orders)			✓			
	Minimum (to manage FOK)			✓			
Order Types	Single Order		✓	✓			
	Committed (Interbank)			✓			
	Cross (Internal)			✓			
	Quote			✓			
	Stop Orders			✓			
Durations	Day		✓	✓			
	Fill and Kill		✓	✓			
	Good till Cancel		✓	✓			
	Good till Date		✓	✓			
	While Connected		✓	✓			

(*) Strategies are not available on the IDEX segment

5.4 Trading functions

5.4.1 Order management

All "Authorised Operators" can enter orders. On the other hand, the sending of quotations is reserved to Market Makers.

The electronic system makes available special functions for the entering, modification and cancellation of different types of orders in the orderbook. In particular, the following are identified:

- Single order
- Standard combo order (IDEM_Equity segment only)
- FLEXCO (Flexible Options for the IDEM-Equity segment only)
- Stop order
- Iceberg order
- Committed order (Interbank)
- Cross order (Internal)
- Quotation

Order entry of a single order and of a standard combo order (IDEM-Equity segment only) is managed through the same function "Order Enter"; the first order type is made of a single series, the second is a standard strategy as defined in paragraph 4.4.2.

A univocal number is assigned by the system to each order entered; this is the "Order Number" that remains linked to the contract in case of combination allowing the entire history of the order to be traced.

An order is entered with the following specifications:

- series identification;
- price;
- quantity;
- "owner data" field is an optional field with free text (50 characters) that the client enters as a reference to the order;
- "clearing data" field indicates the position (Open/Close) and the account type (Own/Third Party account and the client code or a proprietary sub-account in the case of a P type account);
- time validity of the order (rest of day, valid until date, valid until expiration);

5.4.2 Single and Standard combination orders

An order can be sent to the market, specifying a price limit (**Limit order**), market one price (Market Order and Top Order). The order types are:

Limit order: orders with a limit price, entered into the order book are executed according to the price/time priority. Any quatity left, after part of a Limit Order is executed, is retained on the order book. A limit order is submitted by setting the Price Type field of the SAIL OE message to "L".

Top order: orders entered into the book are executed at the best price available in the market. Any residual volume after partial execution is automatically converted to a limit order at the price at which it was just executed (these orders are entered with the Price Type field of the SAIL OE message set to "M"; the system allows to generate a FAK order specifying the duration type parameters = E in the message).

Market Order: can be entered both in pre-opening and continuous trading.

During pre-opening the Market Orders can be executed only at the opening auction price. Any quantity left is automatically converted into a limit order at the opening price. If the parameter duration time = E is specified, any left quantity is cancelled (FAK) at the end of the auction.

During the continuous trading phase these orders are entered and executed at the available prices till the quantity is available on the opposite side of the book. Any quantity left is automatically converted into a limit order at the price of the last executed contract. As for Top Orders the system allows to generate a FAK order specifying the duration type parameters = E in the message.

Market Orders "fill or kill" (FOK) are available in the continuous trading phase.

The following specifications may be set for limit orders:

1. "fill and kill" (FAK): the order is filled or partially filled for the available quantity on the opposite side of the book and the remaining quantity is cancelled automatically; the system enables the appropriate parameters to implement this type of order.

2. "minimum quantity" and FOK: the order is filled for the specified quantity in the minimum quantity field and the remaining quantity is cancelled by the system; the minimum quantity for FOK orders must be equal to the total quantity of the order.

3. "valid till expiry": the order stays in the order book until the contract expiration;

4. valid till date": the order stays in the orderbook until the set date.

5. "valid for the day": the order remains in the orderbook until the end of the day session; in the event of disconnection it is possible to set the order to be automatically cancelled.

Except for case 1) and 2), if the available quantity in the book does not satisfy the limit order, the order remains in the orderbook until expiration;

The time parameter for the combo series is not available as for the single orders: the combo series are generated daily during the evening re-phasing procedure, thus the standard combo orders "valid till date" are not allowed, the only available type is that "valid for the day".

In the Appendix a description of the parameters combination for the Enter Order (EO) transaction for all market orders types is provided.

5.4.3 Tailor Made Combination (FLEXCO) Order

The "FLEXCO" is only available on the IDEM-Equity segment; it allows market participants to create non standard combinations on a dedicated order book; the exchange system automatically gives a conventional name to the FLEXCO created by the traders according to a naming convention rule described in the chapter 4.4.4.

Limitations

The creation of FLEXCO orders is subject to the following limitations:

- the maximum number of FLEXCO legs is 2;
- FLEXCO are not allowed on index futures;
- it is not allowed to create a FLEXCO equal to an existing one or equal to a standard combination ("combo");
- the maximum ratio that can be associated to a single leg is 100;
- eligible series for a FLEXCO order must have the same contract size;

Trades Execution

Before matching the orders on the FLEXCO orderbook, the matching engine searches for a best execution on the single legs orderbook.
The order types allowed on Standard Combo are available also for FLEXCO.

In order to give a complete information to the market concerning the source of the filled orders on the FLEXCO book, the "FLEXCO vs. FLEXCO" deals are disseminated through dedicated messages, as it is for "combo vs. combo" deals.

Minimum trading tick values

The minimum trading tick values attributed to the single FLEXCO proposals are described in the Instructions.

Similarly to the combo vs. combo matching, the matching of FLEXCO vs. FLEXCO may cause the execution of trades with prices which do not respect the minimum trading tick of the single leg.
Whereas *bait* orders are always created with prices that are consistent with the minimum trading tick of the single leg on which they are entered.

5.4.4 Iceberg orders

During the continuous trading phase it is possible to configure the limit price orders with limited disclosed quantity to be filled, i.e. "iceberg orders". The partial disclosed quantity may be at least equal to 5 contracts.

Once the displayed quantity is filled, a new order is generated with the same partial displayed quantity is generated – or with the remaining quantity – with the same price level as the original order, but with a new time priority.

Iceberg orders are not allowed to be "valid until date".

During the intra-day volatility auctions the iceberg orders will participate in the price determination (both with the displayed and non-displayed quantity; the displayed quantity must be at least equal to the minimum quantity set by Borsa Italiana and communicated through an official Notice).

5.4.5 Stop orders

The trading system for the IDEM market guarantees the centralised management of stop orders in a special separate book not visible to operators. Stop orders are orders that remain inactive in the central stop order book until the trigger price is reached. These orders are related only to the instrument to whom the trigger price refers to. The market price relevant to a comparison with the trigger price can be chosen by the operator from:

- The price of the last contract concluded (last);
- The best buy or sell price given in the market book;

The entering of a Stop Order therefore occurs by setting the parameters of the order that will be activated on the market upon the creation of a certain scenario, and which are the same as those described for the single or standard combination order entering function, and also the conditions that describe that same scenario:

- Stop price: the value the price of the stop series must reach for activation of the stop order;
- Trigger condition: the condition (higher or equal, lower or equal) that must be created between the market price of the stop series and the stop price, for the stop order to be activated on the market.

Limitations

Stop Order function is subjected to the following constraints:

Stop orders on the IDEM market can have a time validity limited to the trading session in which they are entered:

Any orders present in the stop order book at the close of the session, and not yet activated, are removed;

- During the suspension phase it is not allowed to place orders with a stop loss. When the active series are admitted again to trading, the active orders already triggered will be filled only if the conditions for activation are available;
- During the intra-day volatility auction, limit orders that are already active are placed in the orderbook.

5.4.6 Cross and Committed orders

The system allows the sending of Committed (Interbank) and Cross (Internal) type orders to the market. The first type of order is aimed at the conclusion of a contract in which the counterparties are predetermined, the second type is aimed at the conclusion of a contract in which both the counterparties are formed by the single operator who entered the order.
For Committed orders (Interbank), the trader must indicate, amongst all other relevant parameters that defines his order, the code of his counterparty as defined by the SOLA system configuration whose order will be matched with his own. The central system keeps the sent order in a dedicated private archive up until the corresponding order is entered by the counterparty.

These orders belong to two different categories:

- normal;
- BTF;

In the first case the set price shall be included within the market price spread for the series relevant to the order, otherwise the order will be rejected. Trades closed in this way are counted in both prices and quantity statistics reports.

In the case of BTF orders, if the order quantity is higher or equal to a fixed value (see table below), the set price can be included in a price spread that is wider than the one provided for cross/committed normal orders. The quantity value and the associated price rules change according to the instrument type; in the table below it is reported the current rules setting provided in Borsa Italiana Instructions.

	IDEM-Equity		
Instrument type	**Minimum Quantity**	**Maximum Quantity**	**Price Rule**
Index Future (FIB)	5	5.000	Within the market spread, bid/ask included
FTSE MIB Dividend Index Futures	5	5.000	Outside the spread with 2% of maximum allowed deviation with respect to the best bid/ask
Stock Futures	500	60.000	Outside the spread with 10% of maximum allowed deviation with respect to the best bid/ask
Index Options	100	30.000	Outside the spread with 10% of maximum allowed deviation with respect to the best bid/ask
Stock Options	500	30.000	Outside the spread with 10% of maximum allowed deviation with respect to the best bid/ask

IDEX			
Contract type	**Minimum Quantity**	**Maximum Quantity**	**Price Rule**
Monthly Future	100	10.000	No price check
Quarterly Future	30	3.000	No price check
Yearly Future	15	1.500	No price check

Trades originated by BTF orders are counted only in quantity statistics reports; therefore in price-list reports published by Borsa Italiana, the part of the total volume generated by BTF trades is separately indicated.

Committed and Cross orders (normal and BTF) are not displayed in the market book but are disseminated directly as closed contracts, indicating their type through the appropriate valorisation of the field "price indicator market"of the contract. In the BTF case, the trade closed doesn't update the last price and price statistics info disseminated through the market, while updates the info related to the exchanged quantity.

Committed orders still not matched at the close of the trading session (because the counterparty's order has not been entered) are automatically cancelled by the system.

5.4.7 Quotations

Market Makers and specialists are present on the IDEM market; their obligations, in terms of strikes, expirations, spreads and quantities are specified in the Instructions to Borsa Italiana Rules and also in paragraph 4.5.1 of this document.

Supervision over the Market Makers and Specialists activity and fulfilment of their obligations is carried out in real-time, through special functions implemented on the electronic trading system and, subsequently, through the processing of indicators described in the Instructions to Borsa Italiana Rules.

Market Makers and Specialists fulfil the obligations undertaken, sending quotations to the markets. The quotation management functions allow them to send, change and cancel their prices from the market book. In particular, the function used for sending the quotation is such that each subsequent update referring to the same series involves the removal of the previously sent quotation. Market Makers and Specialists are not allowed to send quotations on derivatives contracts on which they do not have any market making obligations to fulfill according to the Rules and Instructions.

The quotations cannot be associated with an immediate execution (FAK or FOK) parameter; they must be with limit price and must be sent specifying the type of account P for Market Makers and C for Specialists.

5.4.7.1 Orders cancellation

Operators who entered orders have the faculty to remove them from the book through the specific cancellation function. The function is available during the entire session and also in the half hour preceding market opening and a half hour after the close of the trading session.

5.4.7.2 Changes of orders

During the trading session, all market operators are allowed to change some parameters of the offers already entered in the trading book.

The original time priority of the order entered remains unchanged if the following items are modified:

- the "Owner Data" field;
- the type of account (P/C);
- the Open/Close position indicator;
- the time validity of the order;
- the quantity to be reduced.

The original time priority of the order is not maintained when the following is changed:

- the quantity to be increased;
- the price.

In this case the original order must be cancelled and a new order with the updated price or quantity must be sent. The order will be entered in the book with a new price/time priority and will be associated with a new order number.

5.5 Account type management

Each trader defines by means of the Account, if the order entered in the system is executed on his own account (House) or that of third parties (Client). The quotations sent to the market by Market Markers and Liquidity Providers must always be marked by the system as own account.

When a contract is being executed, this information of the account type is automatically sent to the CC&G clearing system.
The "Owner Data" field is made available to the operator for storing the date or the order number proprietary identification or other information useful for the operator. This information, together with that previously described, is always given in the information flows on orders and contracts concluded.

5.6 Position management

With each order entered in both Client or House account, the position opening or closing instruction must be specified through a special indicator.

5.7 Trading protection functions

The following functions are embedded in the trading platform for protecting the trading activity:

1. Automatic inactivation of orders in case of connectivity loss (loss of heartbeats);
2. "Deny Order" function;
3. Price Deviation Dynamic Control;
4. Market Maker Protection.

5.7.2 Automatic inactivation of orders

In case of connectivity loss due to a series of missing heartbeat (activity signals sent by the applications to the system), the system will automatically remove all quotes present in the orderbook, upon selection during the login phase of the "disconnection instruction" parameter.

5.7.2 Deny Order: Validation of orders and quotations

The system provides a control function for each instrument on the maximum quantity of contracts negotiable within a single order. The quantity limits in force on the date of publication of this document are the following:

IDEM-Equity

Index futures contracts: 500 orders for single orders and 2500 for the combo orders;
Index options contracts: 5000 for single orders and 5000 for the combo orders;
Stock options contracts: 10000 for both single and combo orders;
Stock futures contracts: 10000 for both single and combo orders;

Limited to the IDEM-Equity segment, the system carries out, in addition to the quantity checks mentioned above, the check of the order price entered in the combinations (standard and FLEXCO), appraising its difference with respect to the prices in the book at the time of order entry. If the validation (performed on the basis of parameters that can be set according to the instrument type and possibly to the price range, which refers to the price of the order that is under validation) is negative the order is rejected (denied) and a specific message is notified to the operator.

The sequence of price controls carried out by the system is as follows:

1. the order price is compared with the best price on the same side as the incoming order (Bid for buy orders, Ask for sell orders);
2. if there are no prices on the same side it is compared with the best price on the opposite side;
3. if there are no prices, no further checks are carried out.

Verification is therefore carried out only when the price of the incoming order is better (higher for bids, lower for offers) than the best price with which it is compared.

IDEX

- Baseload Future Contract (for all the delivery periods): 150 lots (quantity defined by Borsa Italiana)

The above mentioned checks are not applied to the cross and committed orders (both normal or BTF).

5.7.3 Price deviation limits (IDEM-Equity and IDEX)

Limits to price deviations are introduced as follows:

- Maximum deviation of the price of an order in relation to the static control price;
- Maximum deviation of the price of a contract in relation to the static control price;
- Maximum deviation of the prices of two contracts in relation to the dynamic price.

The static control price corresponds to the reference price of the instrument of the day before; Borsa Italiana can modify it in order to guarantee the regular trading in the market.
The dynamic control price corresponds to the last traded price of the current trading day.

If the price of an incoming order breaks the first type of limit the incoming order is automatically rejected and a message is sent to the market participant.
If either the second or the third type of limit is broken the trade is not closed, the entering order is automatically cancelled and the series enters into a new trading state that is called *Circuit Breaker* that lasts a configured time
During the *Circuit Breaker* trading state, orders can neither be entered nor changed. It is possible to only cancel orders. Market Surveillance monitors the *Circuit Breaker* trading state and, eventually, can modify both the price limits and the duration of the *Circuit Breaker* trading state. Market Surveillance can also modify the parameters that deifine the varation limits.

For instruments that belong to the same Instrument Class (see par. 3) both the standard validation or the price deviation limits validation described in this paragraph is active (see par. 5.7).

A more detailed description for some specific cases is reported below:

Stop Order
Stop orders cannot be converted if the series does not allow for the continuous matching of orders. Otherwise stop orders for which the condition applies are converted according to a specific scenario, only when the trading conditions are re-set.

Standard Combinations and FLEXCO (IDEM-Equity only)

Trading of standard combinations is subject to the price in relation to the prices on the orderbook (see par. 5.7).

In case one of the legs of the standard combo is in Circuit Breaker trading state, the matching of the other legs is also inhibited. Trades closed between two standard combinations (that generate prices on the corresponding legs) or between the legs of a combination can cause the Circuit Breaker trading state to be triggered when the price of the virtual deal would break the allowed spread.

Trade Report

Cross and Committed orders entry function is not subject to price variation limits.
If a series is moved into *Circuit Breaker* status, these orders cannot be entered.

Long Order

If the “Good Till Date” and “Good Till Maturity” parameters are specified, the control of prices is repeated before the market opening, every time the orders are refreshed If the prices exceed the limits the order is automatically cancelled.

5.4.7 Market Maker Protection

Purpose of the Market Maker "Protection" function is to mitigate the risk connected to the market making quoting activity through the automatic pulling of the outstanding quotes in case of two specific risk indicators set by the market participants are exceeded.

The Market Maker may set a maximum level of the following risk indicators, within a timeframe defined by the Market Maker itself:

- Volume Protection: maximum amount of quantities executed on quotes and placed on derivatives instruments based on a specific underlying;
- Delta Protection: value calculated according to the following formula:

$$\text{Exposure} = \text{abs} \sum (\text{Volume}^{*}f)$$

Abs indicates the absolute value, **value is equal to the volume of the contract and the *f* parameter becomes:**

- 1 per each future contract bought, a call option contract bought and a put contract sold
- -1 per each call option contract sold, per each future contract sold and per each put option contract bought

The Exposure takes place each time that the time interval between the contracts and the previous contracts executed by the same Market Maker is greater than the limit set by the Market Maker.

If the time interval between two contracts is smaller than the set time limit, the Exposure may increase up to the value defined by the Market Maker.

The algorithm is applied every time that a contract is executed. If the contract triggering the cancellation of the quotes involves implied orders, every other quote involved in the same trade will be executed before that all quotes are cancelled.

Parameters that can be set by the Market Maker

The Market Maker can set (for each underlying) the following parameters:

1. Time interval of exposure, that is the timeframe during which the traded volume is calculated in order to verify if the maximum limits have been exceeded;
2. Limit quantity for triggering the Volume Protection;
3. Limit quantity for the Delta Protection activation.

Limitations

The function is subjected to the following limitations:

1. It is available only for the Market Makers;
2. It is available only on the underlying for which the users have market making obligations;
3. The automatic cancellation is performed only on the quotes and not on the orders;

5.8 Management of trades

When a contract is concluded, the trading system sends the executed contract to the CC&G clearing system at the same time sending the contract conclusion message to the trading stations of the authorised operator and possibly to his interconnected systems.

If the contract has been concluded by a Non Clearing member, the messages are also sent to the relevant reference General Member. If the contract has been concluded subject to Give-Up, the messages are also sent to the relevant appointed clearing operator.

During the session, or at the close, the trading stations and interconnected systems can request the central system for a statement of contracts concluded at the time of the request, through the message transmission mechanism (SAIL protocol).

6 Clearing

Post-trading functions carried out by the market participants are available through the BCS platform, according to the hours defined by CC&G and indicated in the Instructions. The main operational functions are:

- modification of executed trades: change of the "Client" code in relation to open/close positions;
- changes of positions
- international Give-Up and automated Give-Up;
- option exercise requests;
- requests for trade splitting;
- requests for viewing collaterals;
- download clearing reports.

General Clearing Members are able to manage their Indirect Members functions.

Furthermore the BCS also conveys information flows (intraday and evening) and the reports sent from CC&G. These flows are used by the back-office system for calculating margins.

6.1 Rectify trade function

6.1.1 Manual correction of trades executed

Changes to client codes or opening/closing positions already entered are allowed on Client accounts only. Modification of the open/close position indication is subject to immediate verification by the clearing system.

6.2 Correction of positions

6.2.1 Correction of positions

The trading system allows to reduce or increase the number of contracts deriving from position netting on single contracts. The changes are allowed only for options traded in House accounts and are subject to immediate verification the clearing system.

6.3 Trade transfer

The trade transfer is composed of three phases: the first phase involves the request from the Trading Client; in the second phase, the Clearing Member accepts the trade; the third phase involves the trade transfer from the trading client to the clearing client.
The trade transfer is subject to the CC&G rules and each phase is immediately validated by the clearing system.

In particular, the Trading Client selects the trade to be transferred, input the Clearing Member code and confirms the transfer.

The Clearing Member inputs the trade in the account and confirms the transfer. The clearing system proceeds with the trade transfer from the Trading Member accounts to the Clearing Member account. In case the Clearing Member does not accept the trade, the trade remains in the Trading Member account.

6.3.1 Trade Transfer T+1 and T+2

T+1 and T+2 trade transfers are subject to the trade contracts rules and may be carried out up to one or two days after the trade execution.

6.3.2 International give-up

International give-up is subject to the trade contracts rules and may be carried out only at “trade date”, i.e. during the same trading day

6.4 Position transfer

This function is exactly the same as the trade transfer function. Only the archive differs and is dedicated to the positions.

6.5 Request for contract split

This function allows to divide a contract in several contracts, whose total contracts may not exceed the original quantity.

The clearing system generates the division and maintains the reference to the original contracts for each new one.

6.6 Option exercise

Authorised operators have the availability of functions for sending requests for early exercise and by way of exception, options handled on the market. The BCS platform also sends the summary information report relevant to exercise requests forwarded and possible assignments undergone following requests made by other subscribers to the market.

6.6.1 Early exercise

Early exercise of the option right for stock option trades is available from the market opening throughout the lifetime of the option until the last day of trading, which is the day before expiration.

The request for early exercise function is suspended and therefore denied by the system, if the following cases apply:

- on the day prior to ex-dividends or an operation on the capital of the underlying stock;
- on the days of suspension of the underlying stock, occurring following a Borsa Italiana provision;
- On the ex day, when Borsa Italiana carries out the correction operation;
- During the last day of a public offer to buy or execution of the obligation to buy, according to Art. 108 of the "Testo Unico della Finanza" in relation to the underlying instrument.

The request for early exercise function is transmitted to the clearing system specifying the long position to be exercised and the number of lots; it is subject to immediate validation by the clearing system.

If further requests are sent for early exercise for the same series, the clearing system carries out exercise for the sum of the quantities of the individual requests received.

The series assignment is carried out by the clearing system on the same day, as described in the Assignment section.

6.6.2 Automatic exercise

On the expiration date through the BCS platform, members may access the page displaying the automatic exercise offers.

The clearing system indicates the automatic exercise (ITM/OTM) according to the following data:

- the index value calculated on the opening prices of the stocks making up the basket for the index contracts;
- the reference price of the underlying stock for the stock option contracts.

On the expiration date, if the option buyer does not provide other instructions through the exercise by exception function, at the end of the period established by CC&G for using that function the system carries out automatic exercise according to the provisions of CC&G, i.e. automatically exercising all the "in the money" options and leaving the "at the money" and "out of the money" options.

6.6.3 Exercise by exception

Automatic exercise is available for stock options the evening before the last trading day.

On the expiration day, operators have 30 minutes to send CC&G their exercise requests.

Automatic exercise on index options is available the last trading day that is also the expiration day. Operators have 30 minutes to send CC&G their exercise requests.

In the event of sending after exercise by exception requests for the same series on expiration, the clearing system only considers the last request received as valid.

In the event of acceptance, on the same day the clearing system assigns the quantities indicated, according to the procedures described in the following paragraph.

6.6.4 Assignments

The assignments subsequent to exercise occur at random and the relevant communications by CC&G are sent by the clearing system to the relevant members (Indirect, Individual and General, the latter also for their own Non Clearing members) through the BCS platform.

There are no differences in content between assignments on expiration (either automatic or by exception) and assignments resulting from early exercise. When instructed by CC&G, the electronic system sends assignment notices (Clearing Report MX04) to the relevant General, Individual and Non Clearing members, according to the following times:

- the same evening of early exercise after the sending of Official Closing Prices and Theoretical Values (Stock options);
- after the end of the assignment phase carried out by CC&G on the expiration day (currently 9:00 for stock options contracts and 11:00 for FTSE MIB index options contracts).

The availability of Clearing Reports is notified to Non Clearing Members, but only Direct Members (General and Individual) are allowed to view them.

7 Information

During the session, the trading system distributes the following types of information flows in real-time to the workstations of market members and possible interconnected systems:

- general or public, i.e. available in the same way and with the same contents to all market operators and information providers for distribution to the public;
- specific or private, i.e. reserved for individual authorised operators.

7.1 Market data feed

7.1.1 Public Trading Market Data Feed

The public information feed is available to market participants through the HSVF service (the SOLA native protocol) or through MDF Service[8].

7.1.1.1 Reference Data

The trading system makes available information on the instruments traded on the market and their underlying assets. Data relevant to the expiration date of the series and the number of shares (contract size) or, in the case of IDEX instruments, the number of MWh underlying a standard contract is distributed. For index futures contracts the contract size reports the index point value in euro.

7.1.1.2 Price Info

The trading system makes available in real-time general information relevant to all the series negotiated. For each series, the following information is distributed to the trading stations and possible interconnected systems:

- Series identification;
- Market status indicator, or the status indicator of Circuit Breaker series;
- Underlying asset suspension/readmission indicator;
- Minimum and maximum prices of the day;
- Last contract price;
- Best buy price;
- Best buy quantity;

[8] The MDF service allows market participants to subscribe all information types that are not available through HSVF, as for the equità market. In particolar, MDF allows to receive the non-aggregated book (order depth), the aggregated book (price depth) with 10 and 20 levels and all book variations.

- Best sell price;
- Best sell quantity;
- Price of the first contract of the current session.

7.1.1.3 Price depth

For each series negotiated, the system makes available in real-time the information relevant to the best 5 buy and sell price levels with relevant total quantities shown. In particular, the following are displayed for each of the 5 prices:

- Buy price;
- Total buy quantity;
- Sell price;
- Total sell quantity.

Information related to price depth are distributed during the opening auction phase. During this phase, the theoretical opening price will be displayed on the first price level.

7.1.1.4 Ticker

The trading system divulges in real-time:

- prices of deals closed in the market;
- traded quantities;
- time of executed contract.

For each deal, information is also provided relevant to the deal source for identifying the particular type of order that generated them, in specific cases of committed and cross trades or those coming from combo or non-standard combo orders.

7.1.1.5 Changes of status

The system sends in real-time the messages relevant to phase changes related to an instrument group and to single series.

7.1.1.6 Request for quotes

The system sends the request for quotes to all market participants through a specific message. Market Makers must respond to requests according to their own quotation obligations.

7.1.1.7 Market Messages

The system provides in real-time the messages sent by Market Surveillance.

7.1.2 Public information on clearing

7.1.2.1 Instrument information

With particular reference to aspects tied to clearing, the BCS system makes available information on the instruments negotiated on the market. Data relevant to the following is distributed:

- series traded and series expired;
- underlying stock and contract size.

At the close of the market, following the processing carried out by the CC&G clearing system, members receive information through the workstation (BCS Client) in relation to:

- closing prices;
- theoretical values;
- instrument classes.

7.1.2.2 Official Closing Prices

The information regarding the closing prices and other summary information relevant to the session, processed according to CCG Rules, is distributed through the electronic BCS platform, which communicates with a specific message to the market participants the availability of the prices. The following information is available:

- Series identification;
- Last best buy and sell prices and opening price;
- Price of last contract;
- Minimum and maximum price;
- Official closing price;
- Trading turnover;
- Open interest;
- Implied volatility of the closing price.

7.1.2.3 Theoretical values

The theoretical prices are sent in the evening together with the other flows published by the CCG system. The following information is provided for each series negotiated:

- Market price,
- Downside 1/2/3/4/5,
- Upside 1/2/3/4/5,
- Short Opt. Adjust.

7.1.2.4 Class Files

This is the information flow sent by CC&G to the back-office systems, required for calculating margins. It is organised by class of underlying asset and type of instrument.

7.2 Private information

7.2.1 Private information on trading

7.2.1.1 Information on orders

The trading system allows an updated summary to be maintained on own orders with the breakdown of qualifying information:

- Buy or Sell indicator,
- Series Code,
- Price /Premium: top price indicated,
- Quantity,
- Time parameter,
- Account,
- Client Account,
- Free Info,
- Open (Normal)/ Close (Close) Position indicator,
- Indicator that on order has been entered by a private interconnected customer,
- Other specific information for several types of orders: stop order, committed (interbank).

The status of the order portfolio is maintained through correct management of the transaction replies (results) of each single order entered and, possibly, through the forcing of updates carried out through the special query functions.
Through a special connection called “drop copy”, the system disseminates to the market participants the relevant information (order entered, cancellations, execution changes) for the orders entered through all trading stations of the company (BTS or

proprietary systems). The market participant is enabled to manage orders entered by any other operators of the same company.

7.2.1.2 Information on trades – Combination notification

The electronic trading system promptly notifies the combining of an order present in the trading book. The following information is given in the notification message:

- Series identification code ;
- Buy or sell quantity;
- Price;
- Time: Contract conclusion time;
- Account: Own / Client;
- Client code;
- Identification code of the Trader who entered the combined offer;
- Order number;
- Owner Data;
- Deal Source;
- Position (normal/close);
- Contract counterparty if committed (Interbank).

This message is the confirmation of the conclusion of a trade, which the trading system sends to the counterparty operator.
The trading system sends confirmation of the contract conclusion to the CC&G clearing system

7.2.1.3 Market Messages

The trading system distributes to connected operators any messages addressed to them. In particular, who does not fulfil the quotation obligations receive the relative alarms, with the frequency established by the Instructions to Borsa Italiana Rules.

7.2.2 Private information on clearing

The electronic system makes available in real-time information relevant to trades concluded. Through the BCS the post trading flows summarising the exercise requests carried out, the assignments, the possible receipts and the clearing reports are also distributed. The same information is also available for the General members of Non Clearing Members.

7.2.2.1 Statement of own trades

The trading system generates the flow of trades concluded and sends it to the CCG clearing system Trades concluded are notified in real-time to the counterparty operators through the BCS and to their general members and clearing operators via give-up trades.

A query function is also available for making available to operators the following information relevant to all the trades concluded by them:

- identification of the counterparty operator (for trades concluded by indirect CC&G members, the trade is also made available to the general member giving the Non Clearing member's code; for give-up trades concluded, the code always gives the reference of the trader member;
- Series identification code;
- Buy or sell quantity;
- Price;
- General Deal Number, single for type of instrument;
- Deal Number, single for type of instrument;
- Contract number;
- Original contract number;
- Number of the contract sent by the trading system to the CC&G clearing system;
- Contract status;
- Type of contract;
- Contract price;
- Contract conclusion time;
- Account: Own / Client;
- Client code;
- Trader identification code;
- Owner Data;
- Position (open/close) actually recorded;
- Position (open/close) requested;
- Contract creation data;
- Contract creation time;
- Time of contract registration with CC&G;
- Contract modification time;
- Code of clearing operator for give-up contracts executed;
- Client code recorded with the clearing operator for give-up contracts;
- Deal Source;
- Committed type contract counterparty.

The system can also be queried regarding contracts concluded in the previous 5 days.

7.2.2.2 Information for exercising Options

Notification functions are available relevant to exercise requests sent to the Clearing system:

- *Exercise Req History* is the summary of exercise requests, on own or client's account, early or by exception (if done on expiration), made during the trading

day. A General Member also receives information relevant to Non Clearing Members in management.

- Exercise At Expiry is the summary of exercise requests automatically generated by the system at expiry, and may be modified through exercise by exception; a General Member also receives information relevant to Non Clearing Members in management.

- *Exercises/Assignments* is the summary of exercises and assignments received. This function allows each operator to display the exercises (by exception, early and automatic carried out on a specific date), and the assignment notices. If the applicant is a General Member, the function also allows information relevant to Non Clearing members in management to be received.

7.2.2.3 Clearing Reports

These are reports processed by the clearing system, giving the margins calculated on the positions opened in CC&G and sent to CC&G members through the BCS system. The clearing report of a Non Clearing member is received by his General Member.

7.2.2.4 Order, execution and quotation reports

The electronic system provides the following reports:

- Orders: provides all relevant information in relation to orders/quotations entered;
- Trades: provides all relevant information in relation to contracts concluded;
- Stop Orders: provides all relevant information in relation to stop orders entered.

7.2.3 Information to the public

The IDEM market (Equity and IDEX segments) information market feed is disseminated, as for other Borsa markets, by the electronic trading system to the DDM-Plus service and is made available through the procedures provided by the DDM-Plus for the IDEM market.

The Official Borsa List drawn up by Borsa Italiana comes within the scope of the information note to the public. The following information are available:

- Official Closing Price of the previous session;
- Official Closing Price of the current session;
- Price of the first contract closed (except for BTF and FLEXCO);
- Price of the last contract closed (except for BTF and FLEXCO);
- Minimum price (except for BTF and FLEXCO);
- Maximum price (except for BTF and FLEXCO);
- Average Weighted Price (except for BTF and FLEXCO);
- Number of contracts concluded (including BTF and FLEXCO, for which the number of contracts is indicated separately);
- Traded quantity (including BTF and FLEXCO, for which the quantity is indicated separately);
- Open Interest;
- Implied volatility of Official Closing Prices (as calculated by CC&G);
- Notional amount;
- Contract size.

8 Appendix

8.1 Theoretical Opening Price calculation

The Theoretical Opening Price (TOP) calculation is calculated and disseminated in real-time on a daily basis during the pre-opening phase, as follows:

Step 1: Maximisation of traded volume

The Theoretical Opening Price is the price at which it is possible to trade the highest number of contracts.

Step 2: Minimisation of surplus

If there are several prices available after Step 1, the TOP will equal to the price that leaves the minimum non-tradable quantity in the book, in relation to both buy and sell orders with prices equal or better than the TOP.

Step 3: Minimisation of variation against the last traded price /reference price

If there are prices left after Step 2, and several of these prices are left without a surplus, Step 3 will define a tradable price range (see Section 8.1) and determine the TOP within that range, minimizing the variation against the last traded price if available or the reference price if the last trade price is not available.

8.1.1 Management of the tradable price range

If multiple prices are left after Step 2, the system defines a range of valid opening prices according to the following rules:

- If the market unbalanced quantity includes market order, the range is set at the best limit order on the same side up to the instrument limit price. Note the price must respect Step 1 and 2. If the same side best limit order price does not maximize the traded volume or minimized the unfilled quantity then the TOP range start at the first price meeting step 1 and 2 criteria.

- Range determination when unbalanced includes limit order:

    - If the unbalanced quantity is on the buy side, the minimum limit of the range is determined by the highest limit order within the unfilled quantity.

- If the unbalanced quantity is on the sell side, the minimum limit of the range is determined by the lower limit order within the unfilled quantity.

If the last price or the reference price are not available, or if the reference price is 0 and on the book there are only market orders on both buy and sell sides, at the end of the pre-opening phase the instrument will be moved into a so-called "reserved" phase that re-activates the pre-opening phase.

The following example illustrates the definition of a price range:

Reference Price **€ 1.25**

Order Book during pre-opening phase

Buy			Sell		
Order #	Quantity	Price	Price	Quantity	Order #
1	100	MKT	€ 1,05	50	1
2	50	€1,00			

- The initial price range is € 1.05 (Order 1 on the Sell side) to infinite (the MKT order on the Buy side).
- The engine validates the price if the reference price is located within the range.
- If the reference price is € 1.25, the opening price will be set at € 1.25
- The remaining quantity of the market order will be booked at € 1.25

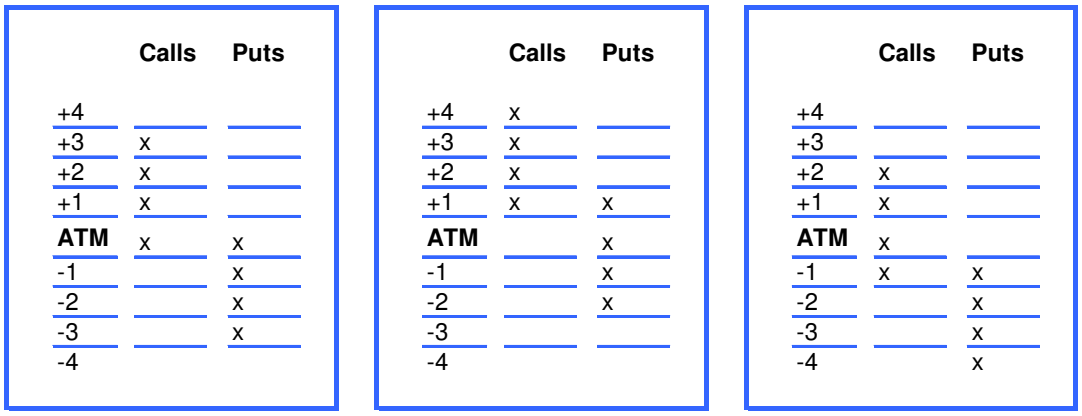
8.2 Supervision space for MM and RFQ Management example

The supervision space may be modified by Borsa Italiana and MM may chose their supervision space.
It will be possible to specify a number of consecutive series amongst the defined surface where the market makers will have to provide valid quotes.
The consecutive series of strikes are managed independently for the calls and for the puts.
At The Money series are updated twice a day (at 9.30 and at 15.45).

Examples:

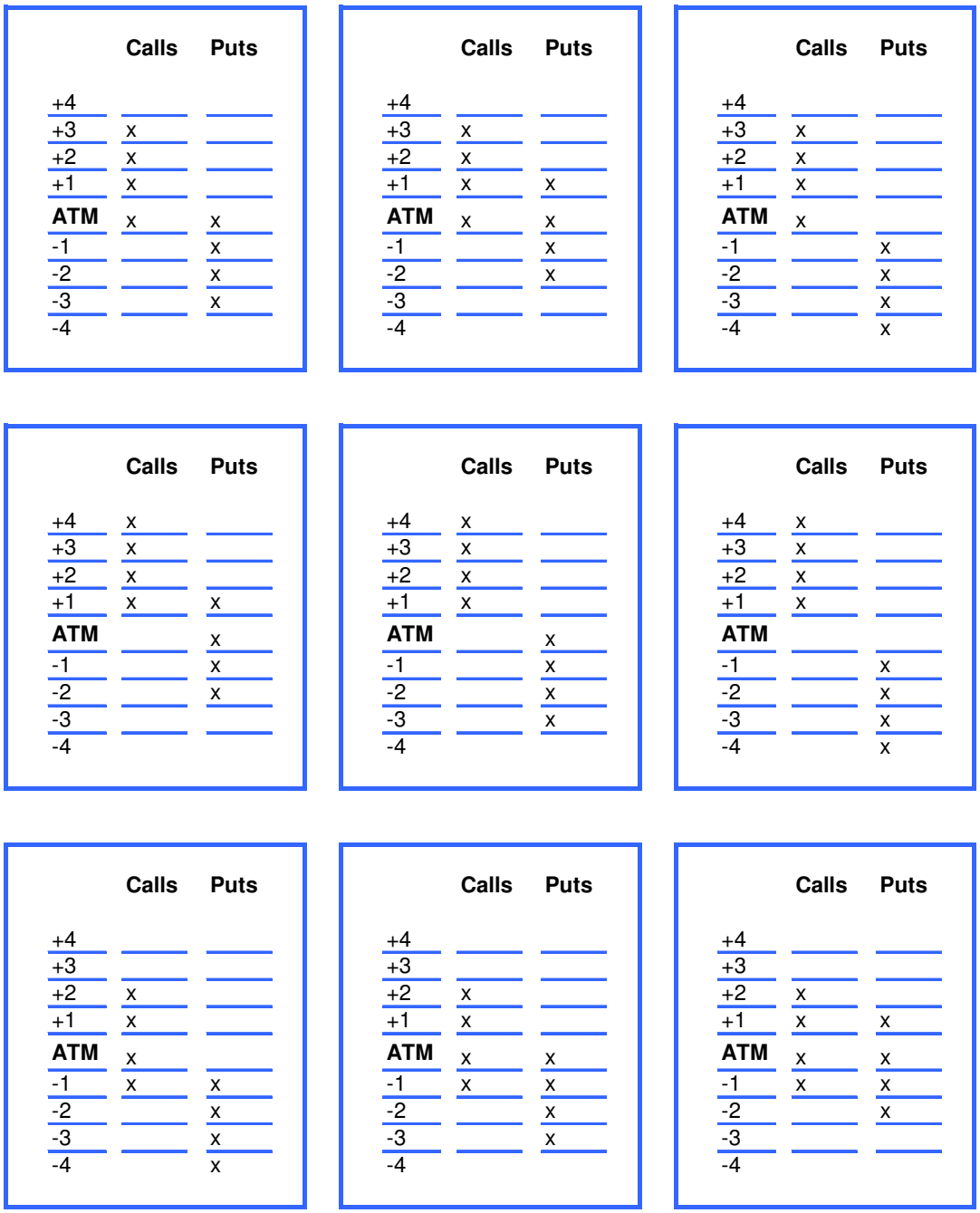
Es. 1
With the current model call and put series are managed together with one common strike price:

Valid quoting paterns with current model



With the proposed model, call and put series are managed independently with a result of more patterns.

Valid quoting paterns with proposed model



For the previous example, obligations are defined as follow:

- Number of strikes in the money = 4
- Number of strikes out of the money = 1
- Numbers of consecutive strikes to quote = 4

There are now 9 supported patterns:

- 1 patterns having 3 common call/put strikes
- 2 patterns having 2 common call/put strikes
- 3 patterns having 1 common call/put strike (current model)
- 2 patterns having no common call/put strike but where the call/put surfaces are touching
- 1 patterns having no common call/put strike and one strike between the call/put surfaces

8.3 Order management: order entry parameters

The below table provides a description of the combination of parameters for the Enter Order (OE) function to send orders to the market.

(*) Duration Term : J\D\E\F\W can be matched with top price parameters
(**) see page. 69 for special price terms parameters
(***) Duration term : J/W

	PRICE	PRICE TYPE					DURATION TERM					QUANTITY TERM		SPECIAL PRICE TERM	QUANTITY ADDITIONAL-QUANTITY
		L	O	M	W	C	J	D	F	E	W	M	D		
DAY	$	X					X								
GTD	$	X						X							
GTC	$	X							X						
White connected	$	X									X				
DAY	blank		X				X								
GTD	blank		X					X							
GTC	blank		X						X						
White connected	blank		X								X				
Market	blank				X*										remaining qty goes on the book
Top	blank			X*											remaining qty goes on the book
FAK	0			X						X					
FAK	$	X								X					
FOK	$	X					X					X			quantity = additional quantity
FOK	0				X										FOK for market orders only in continuous trading phase
MINIMUM QTY ORDER	$	X					X					X			quantity >additional quantity
ICEBERG	$	X					X						X		quantity >additional quantity
STOP	$	X**					X								See slide number 3 for all the value for special price term parameter.
STOP	0				X										
COMMITTED						X***	X								
CROSS															entered througth OX message

PARAMETERS

- **Price Type :** può assumere i seguenti valori:
  - L : Limit (price set in message)
  - M : At best opposite price (Top Order)
  - W: At any price (market Order)
  - O : at opening price

- **Quantity Term :** può assumere i seguenti valori
  - M : Minimum
  - D : Disclosed
  - Spaces: None

- **Additional Quantity :**
  - Minimum Quantity: Indica la quantità che il trader desidera negoziare non appena l'ordine viene immesso. Se le condizioni di mercato sono adatte, la quantità minima viene eseguita immediatamente mentre la parte residua viene visualizzata sul book

  - Disclosed Quantity: indica la quantità che il trader vuole rendere visibile sul book; deve essere diversa da zero se il valore del Quantity Term è M o D. Deve essere inferiore al valore del campo Quantity

- **Duration Type :** must contain one of the following values:
  - J : Valid for the current Day only ((Day)
  - D : Order is Valid until GTD date (GTD)
  - F : Valid until instrument expiration (GTC)
  - E : Immediate order, cannot be booked (FAK)
  - W : while connected

- **Special Price Term:** to enter a Stop Order, the following values should be assigned to the Special Price Term parameter in the OE message. The Trigger Price (TP) together with the verb (buy/sell) and the order price should be set together with one of the following values: S,E,I,T,F,H according to the type of stop order that is to be entered, as described in the below table.

OE for stop orders	*S : Stop*	*E : StopOn Bid*	*I : StopOnAsk*	*T : IfTouched*	*F : IfBidTouched*	*H : IfAskTouched*
Buy	**>=TP**	**>=TP**	**>=TP**	<=TP	<=TP	<=TP
Sell	**<=TP**	**<=TP**	**<=TP**	**>=TP**	**>=TP**	**>=TP**

Ex:
assume that the order is :
BUY 5@30
TP = 35
Special Price Term = S

If the value of the last price is 40, the order is triggered and it appears on the book.